Mr. SIMON. I ask unanimous consent, Mr. President, since we originally agreed to 45 minutes, that the time be extended to 12:45.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

STUDENT DIRECT LENDING

Mr. SIMON. Mr. President, Senator HARKIN and I are going to talk a little bit about direct lending and what is happening in the area of student aid. Here is an area where we can save real money. It is very interesting what happened when direct lending was under consideration. Sallie Mae, the student loan marketing association which we created—the chief executive officer of Sallie Mae, I say to the Presiding Officer and about to be Presiding Officer—they said that direct lending would cost the average school $219,000. Here is what they said in their letter of March 31, 1993.

> As a result of our indepth visit with 10 schools, it is abundantly clear that direct lending will mean increased costs, additional personnel, and upfront investment.

This is Sallie Mae. They had big ads about what a great job they are doing. And they have done some good.

(Mr. ASHCROFT assumed the chair.)

Mr. SIMON. What is the experience now that we have had direct lending? The experience, Mr. President, is that it cuts redtape, it eliminates layers of bureaucracy—how many speeches have we made about that on the floor—uses competition and market forces, and is simple and consumer friendly, promotes accountability, is flexible, and provides education opportunity.

My colleague from Iowa went to Iowa State University. Instead of having the experience that Sallie Mae talked about, Iowa State University has been able to shift four people from student loans over to other fields, and they have canceled eight computers, at a savings of $200 each month. Less bureaucracy; direct lending.

Here is a student newspaper. ''Direct Loan Ends Long Lines,'' from the Daily Egyptian of Southern Illinois University. The Milwaukee Journal, ''Direct Student Loans Pay Off.'' The Chicago Sun Times, ''Direct Loan Program Is Good Deal for All.'' The St. Louis Post-Dispatch—Mr. President, I know the Presiding Officer is familiar with that newspaper—''Loans Should Help Students, Not Bankers.'' The St. Louis Post-Dispatch is right.

''Student Loans: The Wrong Cuts, With This Vital Program Republicans Appear to Prefer a Wasteful Monopoly to Effective Competition.'' That is the Washington Monthly.

The University of Florida. Here is their experience in the first week of classes under the old program. They had $3.7 million in for students. Their first year under direct student lending, the first week they had $9.1 million. But this current year, $21 million in the first week. And it is similar in the other statistics here.

The University of Colorado in Boulder, under the old program, 3,068 loans disbursed; under the new program, the first year 4,800, the second year 6,500.

Here is a USA Today editorial: ''Banks Cash In, Taxpayers Lose on Loan Program.'' And then it says in a subheading in this editorial in USA Today, ''Congress in a sweet deal for the banks is on the verge of killing direct student loans.''

We hear a lot about unfunded mandates around here. If we go ahead with the bill that came out of our committee, Mr. President, what we are saying to the banks and the guarantee agencies is, ''You have an 80 percent monopoly, 20 percent will be limited for direct lending.''

In my State of Illinois, because they have seen what a good program it is, over half the loans right now are direct loans. It is interesting that not a single college or university that has gone to direct lending is moving away from it; not a single one anywhere in the 50 States, including Missouri and Illinois.

Unfunded mandates? What we are doing is we are imposing costs on universities if we do not take that 20-percent cap off and permit choice—that is all I ask. I am not going along with the administration that says it ought to be 100 percent direct lending. I recognize that would save money. But let us give colleges and universities the choice. Let competition prevail.

What did we do in order to somehow make the old program, the guaranteed loan program, appear to be a money saver? Well, in the words of the Chicago Tribune editorial, ''Cooking the books on student loans,'' that is what we did. We passed in the budget resolution a provision that said on the old guaranteed student loans, ''You will not count administrative costs, while you will on the direct loans.''

We asked CBO—and my colleague who is presiding, and I see my colleague from Michigan here—we asked CBO, ''If you don't take this rigging that took place in the budget resolution, if you just put under the old law what we would save or what it would cost''—under the old Congressional Budget Act the cost of going to this 20-percent limitation would be $4.64 billion instead of a phony savings—I heard Senator DOMENICI talking about phonying up numbers. That is what we did in a major way in order to protect the banks and the guarantee agencies. I think we have to do what is right.

Our former colleague—and, Mr. President, you did not serve with him nor did the Senator from Michigan—but Senator David Durenberger said, ''This is not the free market. It is a free lunch.'' He is talking about the old guaranteed student loan program.

Take a look at the numbers of Government personnel involved in the old program: 2,500 or more in the guarantee system, only about 500 under full direct lending. And this does not count college and university personnel. Every college and university says that a direct loan program reduces paperwork, reduces personnel demands. Just take a look at the personnel under the Federal Government and the guarantee agencies paid for by the Federal Government under the direct loan program and under the guaranteed loan program and add on top of this, Mr. President, the colleges and universities.

Now, why, if this is so obviously good, why are we having opposition? Why do we have this 20-percent limitation? The banks, my friends—and I am all for healthy banks; I have a house mortgage on my home in southern Illinois—the banks make more money on student loans than they do on house mortgages, on car loans, on any other enterprise other than on their credit cards. And they are interested.

And the guarantee agencies are interested. Take a look at what happens—forget all the other things—what happens on the collection of defaulted loans. Under the old program—Mr. President, I direct this to you because I know you are a fiscal conservative. Under the old program we want to guarantee 80 percent to the old programs. We say to these financial institutions, ''You get 27 percent on defaulted loans for collection.''

Take a look at what happens under the direct program. Instead of just giving people a monopoly, we put it out for competitive bidding. Do you know what it is turning out to be? Fourteen percent. You want to save money? Here are millions and millions of dollars that you can save.

Why are the guarantee agencies, which do not have—these are not stockholders. This is not private enterprise versus Government. It is Government versus Government. But the guarantee agency in Indiana, called USA Group—their CEO incidentally, Roy Nicholson's 1993 salary was $619,949, not too bad for an agency that does not have any private funds in it. We pay the President of the United States $200,000 a year. They are spending $750,000 to lobby against direct lending. This is just one group.

Let me tell you, this Guaranteed Student Loan Program was fine for its time, and I would say in fairness to these groups, they helped students when we were trying to find our way, but we certainly ought to do it the right way. I ask unanimous consent, Mr. President, to print in the RECORD a letter from the president, Dallas Martin, of the National Association of Student Financial Aid Administrators.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

OCTOBER 16, 1995.

Hon. PAUL SIMON,
U.S. Senate, Dirksen Senate Office Building, Washington, DC.

DEAR SENATOR SIMON: On behalf of the National Association of Student Financial Aid Administrators (NASFAA) representing professional student aid administrators at over 3,100 postsecondary institutions across the nation, I am writing to strongly urge you to include in any floor amendment to the Reconciliation bill four provisions to benefit